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VOL. CLIII NO. 194 Wednesday, October 5, 1988 195th Year

Today

Last year's fight over a recapitalization plan for the FSLIC is scheduled to resume today as the House Banking Committee takes up legislation that would add $5 billion to the $10.8 billion package enacted in 1987. 2

AmeriTrust Co. is looking for two or three banks to join the syndicate providing a $108.75 million credit facility to Riser Foods Inc. 2

Manufacturers Hanover Corp. has halved its securities brokerage staff, leaving 11 people to service retail and institutional customers. 2

Arizona Commerce Bank said it expects to post a loss of $3 million to $5 million in fiscal 1988 because of a restructuring. 2

Paul A. Willax, Empire of America's CEO, is relentlessly upbeat about the pressures facing the $10.7 billion-asset Buffalo thrift. 3

Husband-and-wife teams in the financial arena are rare, and the bank turnaround team of Judith E. and Alan S. Fellheimer is rarer still. 24

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COMMENT

The market may be sluggish next year, and now could be the time for investor and public relations officers to prove their value to senior management, says Arlen D. Southern. 4

Attracting top-notch workers is getting even tougher for the U.S. government, with pay lagging behind the private sector and the status of public service falling, writes Robert J. Samuelson. 4

TECHNOLOGY

The Social Security Administration will test the distribution of benefit payments via automated teller machines and point-of-sale terminals beginning next year. The program targets a segment of the population known for its resistance to electronic banking — the aged, the blind, and disabled. 10

The Terminal Capture Alliance Program is an incentive plan designed by Visa U.S.A. to encourage banks to replace aging point-of-sale terminals with newer technology. 10

Mellon Bank said it has contracts to process credit card payments for 14 federal agencies, almost a third of the 45 agencies participating in the government's program. 13

Scan-Optics Inc. has developed a processing system to serve the lower end of the bank card market. 15

Worth Repeating

We can be the Little Engine that Could if the world would just stop putting more cars on the train while we try to get up that hill.

Paul A. Willax, CEO of Empire of America, on the thrift's struggle for profitability. [Page 3]

AN AMERICAN BANKER SPECIAL REPORT

LDC Debt 'Cures' Are Bitter Pills for Big Banks

By BART FRAUST

NEW YORK — There have been a slew of proposals in the past year for easing the Third World debt crisis by reducing the amount of bank loans outstanding. All have one thing in common: They would cost the largest banks billions of dollars.

If the federal government were to require the 10 largest banking companies to forgive 30% of their Third World debt, they would have to write off $17.3 billion in loans. This is approximately $2.6 billion more than the special reserves established by these banks last June.

Free-market solutions also would be costly. The discount on the top 10 banking companies' Third World debt — the difference between book and market values — amounts to $29.9 billion, based on secondary market prices compiled by Salomon Brothers Inc. This discount is almost double the special reserves.

LDC Portfolio Mix

At top 10 banking companies

Country	Amount (in billions)	% of Total
Brazil	$16.6	28.8%
Mexico	13.6	23.6
Argentina	5.7	9.9
Venezuela	4.7	8.1
Others	17.1	29.6

These are among the principal findings of an *American Banker* analysis of the Third World loan portfolios of the 10 largest U.S. banking companies as of June 30.

The special reserves were established with the belief that a discount equal to 25% of the exposure reflected approximately the market value of the debt. But many analysts believe that this percentage understates the discount and that market conditions are deteriorating.

"It's getting worse," David Cates, president of Cates Consulting Analysts Inc., said of the debt crisis. "There has been a political deterioration in the countries, and they are assuming a harder and harder line.

"And there is a new climate in the developed world where more aggressive forgiveness is seen as the solution," he said. "We're abandoning the hard line that they owe us 100 cents on

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FROM THE REGIONS

THE MIDDLE ATLANTIC

Analysts Bullish on First Fidelity

By GORDON MATTHEWS

NEW YORK — Fourteen months after it was unveiled in the nation's most expensive banking merger, First Fidelity Corp. seems to have convinced Wall Street that its prospects as a banking giant in the Middle Atlantic region far outweigh the $1.34 billion price.

The firm is a combination of First Fidelity, Newark, N.J., and Fidelcor, Philadelphia. With midyear assets of $30 billion, it ranks 16th nationally among banking companies and third in size among regional firms in the Middle Atlantic.

Its stock closed Monday on the New York Stock Exchange at $39.50 a share, just short of its 52-week high of $40.875. The price represents a strong comeback from its plunge after the deal was announced on July 31, 1987.

The deal was billed as a merger of equals, but some analysts and investors were startled by the $1.34 billion price tag, equivalent to twice Fidelcor's book value. It is one of the last deals among major U.S. banks to reach that multiple.

Market reaction was sharp. The day before the merger was announced, First Fi-

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Irving Loses Appeal On Poison Pill Plan

By GORDON MATTHEWS

NEW YORK — A state appeals court has rejected a key portion of Irving Bank Corp.'s poison pill takeover defense plan. The decision is a major victory for Irving's hostile suitor, the Bank of New York Co., which now faces a 30-day regulatory deadline to acquire its Wall Street rival.

The appellate division of the New York Supreme Court upheld a lower court ruling that the "flip-in" provision of Irving's shareholder rights purchase program, intended to discourage unwanted investors even if no merger is planned, involves illegal discrimination.

Bank of New York said it was "gratified at this development" in the acri-

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COMMENTARY

Preparing for Tough Times in Investor Relations

By ARLEN D. SOUTHERN

A GROWING number of chief executives may be wondering if they are getting a fair return on the time and money spent on investor relations and financial public relations. And, in the current sluggish stock market environment, they may be asking if they should even be going through the motions.

Small wonder that some CEOs feel as though they are in a rowboat without oars as they watch their stock drift down or trade in a very narrow range, regardless of how the company is performing. Or, as a banking analyst told me recently: "The market is terribly unforgiving. If you do well, you may stay even. If you surprise the Street with disappointing results, you are going to take a big hit!"

Despite some bullish signals from major brokerage firms, many investment gurus believe the economy could stay reasonably healthy next year without contributing much momentum to the stock market. With so much uncertainty in the overall business picture, 1989 could be a very sporty course for the banking industry.

If tough times are just around the corner, perhaps more investor relations and public relations officers should be asking themselves what they can do to justify the confidence of senior management and help their companies achieve the corporate goal of "creating value for shareholders."

With this in mind, I would like to share a few observations with you, as well as some guidelines that may be helpful in evaluating and planning financial communications programs.

One of the toughest day-to-day challenges is the need to match expectations of senior officers with realistic assessments of how the company is being evaluated by the investment community. This means you must pay as much attention to providing timely feedback to management as you do in communicating your story to analysts and money managers.

Projecting the credibility of the company and its management is essential in good or bad times. And remember, corporate character is more important than corporate image. For some companies with long and distinguished track records, credibility is so high they tend to benefit from a reservoir of goodwill in bad times.

God did not create all CEOs equal. Some companies may be blessed with a charismatic leader who is a great statesman and a brilliant manager — the kind of executive the analysts love and one who inspires portfolio managers to sleep better, even when the company's performance isn't all that it might be. In contrast, many hardworking but less dynamic CEOs are turning in superior performances, but the financial community hasn't caught onto the great jobs being done, and thus the stocks aren't reflecting the companies' progress. Sound familiar?

Investor relations and public relations executives must work together to ensure that key financial opinion formers and decision makers become aware of the company's strengths, so that perception ultimately catches up with reality. Vital to this process is third-party endorsement, both from the financial community and the business media. If you are fortunate to have above-average brokerage firm research support, you may need to work on positioning the company in the business media.

Beware of the CEO who says: "If we keep doing an outstanding job, the stock price will take care of itself." The resentment factor is higher when the CEO reminds you: "We aren't running this company for the benefit of the Wall Street analysts." The first statement has no validity. The second statement is true, but reflects only understandable frustration.

A top salesman has to make many calls to get great results. The same holds true for most investor relations directors. Many of them spend too much time on the phone with or too much time seeing sell-side analysts — and not nearly enough time pursuing targeted institutional prospects.

Specifically, more meetings should be arranged each month with buy-side analysts and/or portfolio managers who 1) own none of your stock but have positions in similar stocks and 2) have a small foothold position in your stock but could be candidates to own several hundred thousand shares. If you haven't been able to target some of these prospective investors, you may not be spending enough time and money on available research.

> Perhaps more investor relations and public relations officers should be asking themselves what they can do to justify the confidence of senior management.
>
> — Arlen D. Southern

Staffing is another area of concern. I am convinced that many senior executives ignore the understaffing of the investor relations function and thereby restrict its ultimate contribution. You must have the flexibility to place the senior investor relations person "on the road" without having to worry about who is going to handle all the calls and other projects at headquarters. If a major corporation is serious about its investor relations, it won't be operating with a one-person IR staff.

Today, with institutions controlling 80% of all shares traded in this country, there is no doubt about where to concentrate most of your investor relations efforts. If your budget is tight, consider focusing on "lead steer" analysts, regional brokerage firms, and selected money managers on the Eastern Seaboard from Virginia to Massachusetts. This will give you access to about 70% of all U.S. funds under management.

While it is important to do a good job of communicating with your shareholders, most companies try to be selective in targeting stockbrokers and high-income individual investors. One cost-effective target is the NAIC — National Association of Investors Corp. — a virtual mutual fund of more than 6,000 investment clubs. Employee stock ownership and dividend reinvestment plans are other obvious options.

When your company is performing well but being ignored, it could be time to do something more provocative to get greater "share of mind" within the financial community. A half-day or full-day seminar meeting for analysts and/or money managers may be just what is needed to stimulate greater interest and understanding. The key is to present a compelling story in a candid manner.

As you think about plans and budgets, it is sometimes helpful to simply ask yourself: 1) What must we do? 2) What should we do? 3) What would be nice to do?

How you spend your time may be more important than how much money you have to spend.

You may want to consider three relevant questions as you review prospective 1989 investor relations and public relations programs:

- Are you being sufficiently bold and innovative?
- Are you disclosing the facts and figures that analysts and investors need to make a favorable decision on your stock?
- Are you spending enough time and money to make a difference?

Investor relations have much in common with tennis. You have to anticipate. You have to keep your eyes on the ball. And you have to follow through. When the good times roll, it seems so easy to make things happen. Rising to the challenge of a generally negative marketplace requires much more concentration, resourcefulness, and competitive drive. ■

Mr. Southern is president of the Arlen Southern Co., a corporate communications and investor relations consulting firm in suburban Philadelphia. This article is based on Mr. Southern's recent speech before the Banking Investor Relations Association in New York.

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Editor: William E. Zimmerman
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Associate Editors: Sanford Rose, David O. Tyson

NEWS BUREAUS:
Washington: Chief, Robert Trigaux, 911 National Press Building, Washington, DC 20045; (202) 347-5529; Telecopier: (202) 628-6522.
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Chief Statistician: L. Michael Cacace
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Art Director: Pamela Budz
Contributing Editor: Paul S. Nadler

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ECONOMIC PERSPECTIVE
COMMENTARY

Public Service Loses Some Of Its Luster

By ROBERT J. SAMUELSON

WHEN I arrived in Washington as a reporter in the late 1960s, my first assignment involved covering some federal agencies. Power in these agencies typically lay with career civil servants — bureaucrats. These men, and most were men, arrived early and left late. They were smart and dedicated. Their energy and skills allowed them to share power with the White House and Congress.

The federal government still has thousands of these people, but their ranks are slowly thinning. At lower echelons, too, the quality of the work force is gradually deteriorating.

What's emerging is a "crisis of competence," as a recent report to the federal Office of Personnel Management puts it. Government increasingly can't attract top-notch workers. Federal pay lags behind private pay, and the status of public service is falling.

This matters. Belittling federal bureaucrats is easy until you recall the vital jobs they perform. They inspect nuclear reactors, maintain the national parks, conduct trade negotiations, prosecute federal crimes, run Medicare, and oversee the cleanup of hazardous wastes. They manage the space program and much of the military. Of the 2.3 million civilian federal workers, nearly half work for the Pentagon.

As a group, federal workers are highly skilled. One of every 10 government workers is an engineer, scientist, or computer specialist. In the overall labor force, the ratio is one of every 50 workers.

The OPM report ("Civil Service 2000," done by the Hudson Institute) predicts a rising demand for skilled workers. Computers will reduce the number of keypunch operators and clerical jobs. Meanwhile, the government will need more lawyers, engineers, biologists, and tax auditors.

Luring Top Talent

Recruitment already is becoming tougher. Some elite agencies, such as the State Department, do fine. Elsewhere, the story is different. Many applicants aren't qualified or once a job offer is made, decide to go elsewhere. In a recent survey of top agency officials by Government Executive magazine, about 60% said the quality of new recruits is falling.

Pay is clearly a problem. Government shouldn't have to compete with industry on a dollar-for-dollar basis: The appeal of public service — and job security — is a special benefit of government. But salaries can't fall too far behind, and they have. A 1988 Labor Department study finds an average gap of about 26%.

Consider some comparisons. A government computer operator at a GS-6 level is paid about $18,800 (GS means general schedule); comparable private pay is $22,700.

A midlevel accountant, or GS-11, earns $30,500 on average; private pay is nearly $12,000 more. Senior government attorneys, rated GS-15, receive about $64,000; the private equivalent

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Mr. Samuelson also writes a biweekly column for *Newsweek* magazine. His column for the *American Banker* appears every other Wednesday.

AN AMERICAN BANKER SPECIAL REPORT

Third World Debt Cures Are Bitter Pills for Big Banks

Continued from Page 1

the dollar."

None of the proposals offered so far — compulsory or free market — have received unanimous approval from the banks.

Though maintaining the status quo contains dangers, the largest banks have preferred sticking with slowly reducing their exposures, granting new loans to the countries, and negotiating with the countries on a case-by-case basis.

"The managers of various New York banks seem to believe that through the protracted negotiation process, they will be able to get their money back," said one New York banker. "But you have to be skeptical."

Impact on Stock Prices

Third World debt is a major drag on bank stock prices. Each rescheduling brings lower interest rates and stretched-out repayment schedules. And as new capital requirements take effect, banks holding large amounts of Third World debt will be at a competitive disadvantage to those institutions that have rid themselves of these loans.

The proposals can be broken down into two basic types: unilateral debt forgiveness and voluntary debt reduction through the free market.

Most observers lately have come around to the point of view that a substantial reduction in the amount of debt outstanding — and not new lending — is the key to easing the crisis. An overall decrease in the debt — now estimated at about $300 billion — would reduce the debt burdens of the countries, permit them greater resources to make improvements in their economies, and ultimately place them in a better position to pay off the remainder of their bank debt.

The most recent unilateral debt-reduction proposal came from the United Nations Conference on Trade and Development. The group recommended a 30% across-the-board cut in bank debt.

The U.N. group argued that banks already have established large special reserves against Third World debt that would almost cover the losses. In addition, it said the losses could be spread over a three-year period to minimize the effects.

Future Lending May Dry Up

Bankers generally have rejected the UNCTAD and similar proposals, saying banks would be reluctant to make new loans to the countries after having to eat huge losses. Also, even after the chargeoffs, the markets might require banks to replenish the reserves. And this would mean more red ink.

Another set of proposals depends on private-sector solutions such as the debt-for-equity, debt-for-debt, and other swap markets.

Under these proposals, banks would exchange a portion of their loans for more liquid investments, such as equity positions in Third World companies or securities denominated in the local currency. Or they could sell their loans on the secondary market to companies looking to make similar investments. In this way, several large regional banks have eliminated all or most of their Third World debt in the past year.

The most recent proposal of this type was offered by a panel operating under the aegis of the United Nations Association of the United States. The panel was unusual in that it included several bankers, among them Rodney B. Wagner, vice chairman of Morgan Guaranty Trust Co., and Thomas S. Johnson, president of Chemical Bank.

The group suggested a program of voluntary debt reductions through negotiation with the debtor countries. A model for the program would be the recent Brazilian restructuring agreement, which along with new lending and revamped terms on existing debt, provided a "menu of options" for reducing loans, including local-currency bonds and expanded debt-for-equity swaps.

Effect of 30% Cut in LDC Debt

Top 10 banking companies ranked by assets (dollar amounts in millions)

Bank	Amount	% of Common Equity and Reserves
Citicorp	$3,800	31.9
Chase Manhattan Corp.	2,500	39.7
BankAmerica Corp.	2,700	43.5
J.P. Morgan & Co.	1,400	20.6
Chemical Banking Corp.	1,800	34.0
Security Pacific Corp.	420	8.6
Manufacturers Hanover Corp.	2,700	54.0
First Interstate Bancorp	372	10.3
Bankers Trust New York Corp.	1,200	26.7
Wells Fargo & Co.	420	11.7
Total	**$17,300**	**30.1**

Data are as of June 30, 1988, and are based on bank filings with the Securities and Exchange Commission.

Marking LDC Debt to Market

Top 10 banking companies ranked by assets (dollar amounts in millions)

Bank	Book	Market	Market to Book Value	Discount Amount	Discount as % of Assets	Discount As % of Common Eq. & Reserves
Citicorp	$12,600	$5,933	47.1%	$6,667	3.3%	56.3%
Chase Manhattan Corp.	8,300	3,951	47.6	4,349	4.5	68.3
BankAmerica Corp.	9,100	4,471	49.1	4,629	4.8	72.6
J.P. Morgan & Co.	4,800	2,161	45.0	2,639	3.2	38.2
Chemical Banking Corp.	5,900	3,100	52.5	2,800	3.7	52.8
Security Pacific Corp.	1,400	713	50.9	687	0.9	14.3
Manufacturers Hanover	9,000	4,200	46.7	4,800	6.9	96.0
First Interstate Bancorp	1,240	620	50.0	620	1.0	16.7
Bankers Trust New York	4,000	2,002	50.1	1,998	3.6	44.4
Wells Fargo & Co.	1,400	677	48.4	723	1.6	19.4
Total	**$57,700**	**$27,900**	**48.4%**	**$29,912**	**3.5%**	**51.5%**

Data are as of June 30, 1988, and are based on bank filings with the Securities and Exchange Commission and bid secondary market prices compiled by Salomon Brothers Inc.

Dissenting Bankers

But even this relatively muted proposal was not unanimously accepted by the bankers who participated in the panel discussions.

Susan Segal, senior vice president of Manufacturers Hanover Trust Co. and the bank's representative on the panel, issued a written dissent. "Although we agree with the report's conclusion that debt service reduction programs should remain voluntary, we feel that, in many instances, their broad application, even on a cooperative and negotiated basis, could very well hinder the flow of funds necessary to keep countries on the road toward sustained economic growth," she wrote.

And William Rhodes, a Citibank group executive, issued a separate statement. While agreeing with the report's conclusions, he said the document underestimated the success of current programs to ease the debt crisis.

The *American Banker* analysis of bank Third World loan portfolios showed that unilateral, concerted cutbacks would produce a bloodbath for many of the banks.

A Multibillion-Dollar Writedown

A 30% cutback, as suggested by UNCTAD, would result in $17.3 billion in writedowns at the 10 largest banking companies, equal to about 30.1% of their combined common equity and reserves.

Of course, the impact varies depending on the exposures of the individual banks. Three California bank holding companies — Security Pacific Corp., First Interstate Bancorp, and Wells Fargo & Co. — would be affected least. Security Pacific would face $420 million in writedowns, or 8.6% of its common equity and reserves at June 30; First Interstate $372 million, or 10.3% of equity and reserves; and Wells Fargo $420 million, or 11.7% of equity and reserves.

For the seven largest banks, though, the writeoffs would amount to billions. Relative to common equity and reserves, Manufacturers Hanover would be hardest hit. The bank holding company's writedowns under a 30% debt relief plan would amount to $2.7 billion, or 54% of its common equity and reserves.

At Citicorp, comparable writedowns would amount to $3.8 billion, or 31.9% of equity and reserves; Chase Manhattan Corp. $2.5 billion, or 39.7%; BankAmerica Corp. $2.7 billion, or 43.5%; J.P. Morgan & Co. $1.4 billion, or 20.6%; Chemical Banking Corp. $1.8 billion, or 34%; and Bankers Trust New York Corp. $1.2 billion, or 26.7%.

Attempts to Reduce Exposure

Since the massive reserves were taken in June 1987, most large banks have moved gradually to reduce Third World exposure. Between June 30, 1987, and June 30, 1988, the 10 largest banks cut their Third World loans by an average of 7.8%.

One result of the cutbacks was to spur fast development of the secondary market, where loans are bought and sold for use in various swaps or to give banks a chance to improve the mix of countries in their portfolios. Market volume is expected to hit $20 billion

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September 26, 1988

Datalease Corporation

and its affiliate

Datalease Capital Corporation

have been acquired by

Atlantic Computer Systems, Inc.

a wholly owned subsidiary of

Atlantic Computers plc

We initiated this transaction and acted as financial advisor to Datalease Corporation.

PaineWebber Incorporated

AN AMERICAN BANKER SPECIAL REPORT

LDC Chargeoffs Could Spur More Reserves, More Red Ink

▸ Continued from Page 18

this year, about double the level of 1987.

Another result, however, has been a sharp drop in the price of Third World debt. For example, in the 12 months ended June 30, the weighted average value of Third World loans dropped 21.4%, to 48.4 cents on the dollar from 61.6 cents, according to data collected by Shearson Lehman Hutton Inc.

Thus, the percentage decline in the values of the portfolios has outpaced the percentage decline in exposures.

> Manufacturers Hanover would be hardest hit. The bank holding company's writedowns under a 30% debt relief plan would amount to $2.7 billion.

The pain involved in free-market-related writedowns would be offset in part by the huge special reserves taken by banks in June 1987. But some analysts believe that investors might respond to the heavy writedowns by asking for a further increase in reserves, causing another year of red ink for the banks.

In addition, the largest banks are able to get slightly higher prices than other banks in the secondary markets because they have access to the best deals. This also limits the losses from free-market solutions.

Despite the drop in value, billions of dollars in loans continue to be traded on the market, said Jay H. Newman, who manages the loan transactions group at Shearson.

He acknowledged, however, that the secondary market does not have great potential for solving the Third World debt crisis. "Many regional banks have used the market to eliminate their exposures," he said. "But the large banks are not going to get out using the secondary market."

At the end of the second quarter, the 10 largest banks held Third World loans with a face value of $57.7 billion, according to the companies' quarterly filings with the Securities and Exchange Commission.

Less than Half Face Value

Based on market prices at the end of June published by Salomon Brothers, the debt is worth about $27.9 billion.

The discount on these loans — the difference between the book and market values — amounts to $29.9 billion. That represents about 3.5% of the total assets of the 10 banks and and 51.5% of their combined common equity and reserves as of June 30. The discount is important because it is the amount that would have to be charged off after a loan sale.

Each of the top 10 banks has a different mix of countries in its portfolio. In an effort to get a more accurate picture of their portfolios, each of the banks' exposures was broken down by country as itemized in SEC filings. Market prices were then assigned based on the Salomon Brothers' prices.

For example, Citicorp lists 19 Third World countries to which it has exposure. The book value of the loans is $12.6 billion. The $4 billion in Brazilian loans has a market value of about $2 billion, based on the country's secondary market price of 50 cents on the dollar. When the same procedure is applied to all 19 countries, the portfolio has a market value of $5.9 billion. The $6.7 billion discount represents 3.3% of Citicorp's assets and 56.3% of common equity and reserves.

The values at other banks are more difficult to ascertain because other institutions disclose less information. Under SEC rules, bank holding companies simply have to disclose countries where exposure equals at least 1% of assets. For undisclosed portions of a bank's Third World portfolio, a 50% discount was applied.

Third World debt problems have the least effect on the large California banks. Security Pacific's $1.4 billion portfolio has a market value of about $713 million, about 51% of book value. The discount amounts to less than 1% of assets and 14.3% of common equity and reserves.

7 Banks Would Take Big Hits

At the seven banks with the heaviest exposures, the free-market proposals would have a greater impact than at the California banks. Manufacturers Hanover's $9 billion in debt has a market value of $4.2 billion. The $4.8 billion discount represents 6.9% of assets and 96% of common equity and reserves.

BankAmerica's $9.1 billion in loans, when marked to market, are reduced to $4.6 billion, equaling 4.8% of assets and 72.6% of equity and reserves.

But maintaining the status quo also poses problems. Detecting the impact of Third World debt is difficult and at first glance seems nonexistent. Citicorp has the largest total exposure, but its stock trades at one of the highest multiples to book value of any of the top 10 banks.

The effect can be seen, however, by looking at Third World loans as a percentage of assets. Stocks of the banks with the least exposure as a percentage of assets — Security Pacific, First Interstate, and Wells Fargo — trade at the highest multiples to book.

This relationship applies equally well to the seven banks with the greatest exposure. Among these banks, Bankers Trust New York Corp., Citicorp, and J.P. Morgan & Co., have the smallest exposure as a percentage of assets, and their stocks trade at higher multiples than BankAmerica Corp.,

Please see SPECIAL: Page 20 ▸

The Main LDC Borrowers

Dollar amounts in millions

Country	Lead Bank	Amount	% of all LDC Loans By Top 10 Bank Firms
Brazil	Citicorp	$4,000	24.1%
Mexico	BankAmerica Corp.	2,500	18.4
Argentina	Manufacturers Hanover Corp.	1,600	28.1
Venezuela	BankAmerica Corp.	1,127	24.0

Data are as of June 30, 1988, and are based on bank filings with the Securities and Exchange Commission.

Country-by-Country Breakdown

Top 10 banking companies ranked by assets (dollar amounts in millions)

Bank	Brazil	Mexico	Argentina	Venezuela	Others
Citicorp	$4,000	$2,400	$1,400	$700	$4,100
Chase Manhattan Corp.	2,510	1,540	970	980	2,310
BankAmerica Corp.	2,728	2,500	668	1,127	2,077
J.P. Morgan & Co.	1,812	770	897	N.A.	1,321
Chemical Banking Corp.	1,528	1,755	N.A.	698	1,919
Security Pacific Corp.	493	364	N.A.	N.A.	543
Manufacturers Hanover Corp.	2,179	1,868	1,632	963	2,358
First Interstate Bancorp	N.A.	576	N.A.	N.A.	664
Bankers Trust New York Corp.	832	1,302	N.A.	N.A.	1,810
Wells Fargo & Co.	568	499	130	204	N.A.

Data are as of June 30, 1988, and are based on bank filings with the Securities and Exchange Commission.

Citicorp's LDC Portfolio

Dollar amounts in millions

Country	Book Value	Market Value	% of Face Value
Brazil	$4,000	$2,010	50.25%
Mexico	2,400	1,200	50.00
Argentina	1,400	336	24.00
Philippines	1,300	696	53.50
Venezuela	700	380	54.25
Chile	500	303	60.50
Uruguay	300	179	59.50
Ecuador	300	77	25.50
Yugoslavia	200	91	45.50
Morocco	100	49	49.00
Poland	100	41	41.00
Nigeria	100	28	28.00
Panama	100	24	24.00
Dominican Republic	100	19	19.00
5 Others	1,000	500	50.00
Total	**$12,600**	**$5,933**	**46.80%**

Sources: Quarterly documents filed with the Securities and Exchange Commission and bid prices in secondary market compiled by Salomon Brothers Inc.

Pulte Diversified Companies, Inc.
Bloomfield Hills, Michigan

a subsidiary of

PHM Corporation
Bloomfield Hills, Michigan

has acquired, by supervisory acquisition
with financial assistance provided by the
Federal Savings and Loan Insurance Corporation,

Champion Savings Association
Houston, Texas

The undersigned acted as financial
advisor to PHM Corporation.

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A First Boston Company

FROM THE REGIONS
THE MIDDLE ATLANTIC

First Fidelity Corp. Finds Wall Street Receptive

▸ Continued from Page 1
delity's stock closed at $43.75. It lost $4 on the news and was $7 below its peak before the stock market crashed last Oct. 19. At yearend, the stock closed at $29.63.

"The Street is more forgiving than it used to be, but its forgiveness is still selective. In this case, they must like what they see," noted John J. Lyons, managing principal of Lyons, Zomback & Ostrowski, the New York financial consulting firm.

In a midyear analysis, Nancy A. Bush, banking analyst for Dean Witter Reynolds Inc., noted that second-quarter results, "although a bit shy of our estimate, did reveal the beginnings of the strong growth and exemplary expense control that we feel will be the hallmarks of this company."

First Fidelity "should be one of the most exciting stories in the banking industry over the next several years," she said.

The firm's early success is generally attributed to the strength of the region's economy and to the company's 41-year-old president and chief executive officer, Harold W. Pote, who previously headed Fidelcor.

"A bank of this size is driven by just two things, management and market, and it can only be as good as they are," noted Gregg R. Novek, director of research at Ryan, Beck & Co., West Orange, N.J. "First Fidelity has a fine management team, and the area is one of the best market areas for banking that you could think of in the country."

> 'First Fidelity has a fine management team, and the area is one of the best market areas for banking that you could think of in the country.'
>
> — Gregg R. Novek
> Director of Research
> Ryan, Beck & Co.

Compact Market

Mr. Novek believes the banking firm derives considerable strength from its role as the market-share leader in a very compact two-state banking market — 35 contiguous counties straddling the Delaware River from Philadelphia to the New York State border.

First Fidelity boasts an 11% share of the deposit market in eastern Pennsylvania, ranking first in key parts of the area around Philadelphia. In New Jersey, Mr. Novek said, its 10% market share ranks as the best in the state.

"The compact primary market area provides excellent underpinning for a strong banking environment," he said. "Nearly 500 branches service an area 100 miles wide and 170 miles long. The small geographic region houses more than 5% of the nation's population.

"Furthermore, New Jersey and eastern Pennsylvania have been experiencing an economic boom. As a result of a shift from a manufacturing economy to a service orientation, blue-collar jobs have been replaced by white-collar positions," he noted.

That has meant a "dramatic rise in personal income, while adding diversity to the labor force," and has resulted "in a more stable and recession-resistant economy," Mr. Novek said. "New Jersey's per capita income ranks second in the nation behind Connecticut."

The market's economy is characterized by spillover dynamics, he noted. "Prosperity in New York City has driven up costs of land, labor, and taxes, causing an exodus to New Jersey. Similarly, New Jersey's recently found prosperity has spilled over into eastern Pennsylvania, enhancing that region's economic activity.

"Highway improvements and completions as well as low unemployment — which has created a labor shortage in New Jersey — have increased the economic ties between eastern Pennsylvania and New Jersey," Mr. Novek said.

"Pennsylvania's more affordable housing," he noted, "combined with an influx of major corporate headquarters into central New Jersey, has given employees the impetus to live in Pennsylvania." ■

DAILY FINANCIALS
Tuesday October 4, 1988

Money Market

Federal funds range-Domestic 8⅛-8³/₁₆%
Prime rate (8/12/88) 10.00%
Discount rate FRB of New York (8/9/88) 6.50%

Call loans on securities, to brokers on stock exchange collateral (10/3/88) 9¼%

Bankers acceptances offering rate, discount (10/4)
30 days: 8.00 60 days: 8.01 90 days: 8.10
120 days: 8.13 150 days: 8.13 180 days: 8.13

Certificates of deposit ($100,000 to $1,000,000), highest offering rate, at New York City banks (10/4)
14 days: 7.70 30 days: 7.75 60 days: 7.80
90 days: 8.05 120 days: 8.05 150 days: 8.15
180 days: 8.15 270 days: 8.20 365 days: 8.35

Commercial paper, dealer Aaa, discount (10/4)
30 days: 8.00 60 days: 8.05 90 days: 8.13

Commercial paper, directly placed, discount (10/4)
5-14 days: 7.00-7.95 15-29 days: 7.00-8.00
30-59 days: 7.00-8.05 60-89 days: 7.00-8.10
90-179 days: 7.00-8.00 180-270 days: 7.00-8.00

Treasury-bill rates, secondary market, bid (10/4)
90 days: 7.24 180 days: 7.50 1 year: 7.58

Eurodollar deposits, London bid (10/4)
Overnight: 8¹/₁₆ 7 days: 8¹/₁₆ 1 month: 8³/₁₆
3 mos.: 8⁷/₁₆ 6 mos.: 8⁹/₁₆ 1 year: 8¾
NIBOR: 8⅝ **LIBOR:** 8¹¹/₁₆

The Bond Buyer Municipal Bond Index

	10/4/88	10/3/88	9/27/88
Index	90.26	90.25	90.04
Yield to Par Call	7.86	7.86	8.00
Yield to Maturity	7.88	7.88	7.94

The Bond Buyer Municipal Bond Index was designed by the Chicago Board of Trade as the basis for long-term municipal bond futures contracts. It is an average obtained when the price of 40 select term bonds is divided by the amount at which each bond would be priced to yield 8%. The Index is computed daily and quoted in points and 32nds.

Futures Markets
3-Month Treasury-Bill Futures (IMM)*

Delivery	High	Low	Settle	Chg(a)	Yld(b)
Dec. '88	92.69	92.62	92.64	- 3	7.36
Mar. '89	92.70	92.65	92.68	- 1	7.32
Jun. '89	92.57	92.55	92.58	- 1	7.42
Sept.'89	92.40	92.38	92.42	unch	7.58
Dec. '89	92.23	92.21	92.23	- 3	7.77
Mar. '90	92.25	92.24	92.27	- 2	7.73
Jun. '90	.....	.....	92.23	- 2	7.77

As of the previous day's close; Total no. of contracts traded: 2,216 total open interest: 20,766 and change in open interest: -177

Footnotes to Futures Tables:
*For 3-month Treasury bills with a face value at maturity of $1 million. a–Change from previous day's settlement price in basis points. b–100.00 minus settlement price. IMM–Traded on the International Monetary Market, a division of the Chicago Mercantile Exchange. r–New record high in open interest.

American Banker Index
Selected Money Center Bank Stocks*

			High	Low	Last
Oct. 4:	297.8	1988:	306.7	227.7	297.8
Oct. 3:	297.2	1987:	401.7	212.0	234.6
Sep. 30:	302.8	1986:	388.7	331.2	331.3
Sep. 29:	299.9	1985:	344.2	242.7	344.2
Sep. 28:	300.6	1984:	269.6	178.4	246.3

* Based on midday prices.

AN AMERICAN BANKER SPECIAL REPORT

LDC Debt Cut Would Stun Top 10 Banks

▸ Continued from Page 19
Chase Manhattan Corp., Chemical Banking Corp., or Manufacturers Hanover Corp.

One major concern is that the exit of regional banks from the Third World market will concentrate the debt in the hands of the largest banks. They will have to hold on to this debt in a climate of political uncertainty in the Third World and growing pressure for debt forgiveness.

To Carole Berger, bank analyst at C.J. Lawrence, Morgan Grenfel Inc., holding on to the debt places the banks in a perilous situation, which she likens to a game of Russian roulette: "Five out of the six chambers are still empty and will cause no damage if the gun is held to one's head and the trigger is pulled," she wrote in a recent report. "However, there is a one-in-six chance of blowing one's brains out." ■

Regulators Warn of Kiting Scheme

West Coast Bureau

LOS ANGELES — Federal thrift regulators in Atlanta are warning financial institutions in California to be on the lookout for a major check-kiting scheme that cost at least one financial institution more than $1 million in less than two months.

Several travelers check companies also lost at least $700,000, said the Federal Home Loan Bank of Atlanta. The scheme has moved into South Florida from Maryland, Ohio, and Texas, the agency said.

"The FBI has informed the bank that at least one of the suspects in this scheme, Walid Mohammad, has flown to California and may start the same scheme in that area," the Home Loan bank said.

According to the Federal Bureau of Investigation, people purporting to be of Middle Eastern descent open apparently legitimate businesses, such as supermarkets, which are then used as fronts to penetrate financial institutions.

Checking accounts are established in the names of the businesses, and after the accounts are in place for a minimal time, the individuals begin kiting checks that are drawn either on nonexistent accounts or on accounts maintained at other financial institutions that have been closed or have insufficient funds.

The alleged operators of the scheme are based in Lansing, Mich., said the Atlanta bank, whose chief investigative specialist is Edward L. Bowker. Mr. Bowker can be reached at 404-888-8035. ■

Bank of America in Vienna Sold

SAN FRANCISCO — The Bank of America completed the sale of its branch in Vienna to Algemene Bank Nederland. Terms were not disclosed. The branch employs 58 people. ■

Commercial Paper Rose In August, NY Fed Says

NEW YORK — The amount of commercial paper and U.S. dollar bankers acceptances rose in August, according to the Federal Reserve Bank of New York.

Commercial paper rose $2.8 billion to $426.4 billion outstanding on a seasonally adjusted basis — the seventh increase in a row but the second smallest of the year. Dealer-placed financial company paper posted the smallest of its seven increases.

Bankers' acceptances rose $796 million to $64 billion, following a $1 billion drop in July. Bankers' acceptances are negotiable time drafts used primarily to finance movement or storage of trade goods.

Both the commercial paper and bankers' acceptances figures for July were revised downward, the Fed said. ■

Strategic Dates
Sept. 30, 1988

BOND-BUYING SERVICE: A service that offers investors a 24-hour, toll-free telephone number to buy U.S. savings bonds with a credit card ends today. The service, which began May 3, did not prove cost-effective.

LEGAL ADVERTISING

Auction Notices

M. SKOLNICK DCA LIC #793108 and/or S. GORELICK DCA LIC #841437 Sell, October 12, 1988 10:00 A.M. 87-15 Beach Channel Drive Queens 1979 Oldsmobile 2 Dr Sdn 3R47F9G402294 Re: R. Murray: 10:45 A.M. 142-18 Rockaway Blvd. Queens 1979 Mercury 2 Dr Sdn 9H93-H616994 Re: F. Small: 11:15 A.M. 145-26 Liberty Ave Queens 1983 Oldsmobile 4 Dr Sdn 1G3AX69Y8DM780307 Re: J. Correa: 11:45 A.M. 131-02 Merrick Blvd Queens 1988 Toyota 2 Dr Sdn 1NXAE8-2G4JZ519587 Re: M. Morman: 12:15 P.M. 179-21 Linden Blvd Queens 1982 Renault 2 Dr Sdn VF1AA39A9C0151503 Re: D. Correll: 12:45 P.M. 180-02 Jamaica Ave Queens 1980 Lincoln 4 Dr Sdn OY90F-649406 Re: G. Moss-Catwell: 1:15 P.M. 172-16 Jamaica Ave Queens 1982 Volvo Subn YV1AX485OC1428781 Re: I. Cunningham: 2:00 P.M. 1066 Rockaway Ave Bklyn 1987 Nissan 4 Dr Sdn JN1HU-11P5HT311820 Re: P. Rose: 2:30 P.M. 995 Remsen Ave Bklyn 1983 Chevrolet 4 Dr Sdn 1G1AB68C2DY202385 Re: Goldring Inc.: 3:00 P.M. 5702 Ave D Bklyn 1984 Renault 2 Dr H/B VF1FD36B7E2010401 Re: W. Pierre-Louis: 3:30 P.M. 5622 Church Ave Bklyn 1977 Chevrolet 2 Dr Sdn 1L47U71191272 Re: B. Weinstein: 1976 Chevrolet Van CGL2564137975 Re: USA Tech, Inc.: 4:00 P.M. 1329 Utica Ave Bklyn 1980 Honda Motorcycle NC03-2006731 Re: F. Murdocco; 1980 Oldsmobile 2 Dr Sdn 3R47AAD469959 Re: R. Hill. Metropolitan Auctioneers, Inc. Published 9/27/88 & 10/5/88.

S. SPERBER DCA LICENSE # 769437 Sells October 20, 1988 9:30 AM 69-15 50th Ave Qns 1977 Dodge Subn B21BE7K11-059 Re: Melina B. Silva; 10:30 AM 41-25 39th St Qns 1982 Buick 4 Dr Sdn 1G4AH19E2CD446371 Re: Paula Siagris; 11:00 AM 41-15 Northern Blvd Qns 1976 Chevrolet 2 Dr Sdn 1H57Q6B538729 Re: Peter A. Theofanis. I. BELENSON & Co. Inc. October 5, 1988 & October 13, 1988

Foundation Notice

NOTICE
The annual report of the **HERRICK THEATRE FOUNDATION INC.,** for the fiscal year ended May 31, 1988 is available at its principal office located at 605 Park Avenue, New York, NY 10021, (212) 628-3838 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Rhoda R. Herrick.